

From: "Vince Hughes" <bvh@bellsouth.net> on 11/17/2004 07:11:53 PM

Subject: Electronic Fund Transfers

November 17, 2004

Board of Governors

Federal Reserve Board

By electronic filing

Re: Docket No. R-1210, Collection of Checks and Other Items

Dear Board of Governors,

These comments are filed by B.V. Hughes, a consumer concerned for the security of my checking account, the security of the individual banks and for the security and integrity of the nation's financial infrastructure.

1. A check is a check.

When a consumer writes a check, that person expects the transaction to be treated as a check. A consumer's check should not be used to initiate an Electronic Fund Transfer. The consumer has a right to know how his/her transaction will be governed. The consumer should have the right to know that if a transaction is originated as a check, it should be processed as a check.

2. "Check 21" can process a check with all of the benefits to the commercial/financial users and give the consumer a substitute check.

With the Check 21 Act, there seems no reason to continue Electronic Check Conversion. Check 21 is touted as the check processing for the 21st century. Electronic Check Conversion was born as a result of a staff commentary on rules that were clearly intended for purposes other than check processing. It has resulted in pushing a round peg into a square hole. Parts of Docket R-1210 are an attempt to push harder on that round peg.

3. Electronic Check Conversion is an open invitation to fraud and abuse.

Identity theft is one of the fastest growing crimes in the nation. When a transaction is processed and there is nothing to prove or disprove the validity of the action, everyone loses except the criminal.

Checking account numbers are routinely bought and sold on the Internet. Recently, the Shelby County (TN.) Trustee's Office had an EFT placed against their account by an inmate that was currently residing in the County jail. As Electronic Check Conversion grows, illegal transactions will flourish. The cost of covering these illegal transactions will certainly be passed on to the consumer.

4. The proposed rule changes do not provide any guard against fraud.

Even if the Board requires payees to obtain a signed authorization for each check transaction, the criminal element will obviously not be concerned with this requirement. The Bank has no way to distinguish an illegal transaction from a valid transaction until after the criminal has folded his tent and faded into the night. New disclosures, model forms, or signed authorizations will not deter the fraud. A criminal enterprise can set themselves up as a POS or as an Accounts Receivable payee for a short period, giving

them just enough time to originate thousands of EFT's. Thousands of numbers can be processed each day.

I am not concerned with a legal transaction; I am very concerned with the incredible opportunity this process presents to the criminal element.

For these reasons, I ask the Board to eliminate Electronic Check Conversion completely and require any payee wanting to process the check electronically to comply with the rules of the "Check 21" Act and provide a check substitute.

Very truly yours,

B. Venson Hughes

2593 Cedarville Drive,

Germantown, Tn 38138-6009

901-758-1964

Email: bvh@bellsouth.net

